

Innealta Tactical ETF Portfolio Series

Sector Rotation Core

FIRST QUARTER 2013



Innealta
CAPITAL

Investment Highlights

Morningstar Rating Overall **★★★★**
 Inception Date 12/31/2009
 Benchmark Barclays US Agg Bond TR USD 40.00% + S&P 500 TR 60.00%

Investment Strategy

The Sector Rotation Core Portfolio potentially invests in a series of ten sectors as defined by the S&P 500 Global Industry Classification Structure (GICS). The portfolio aims to generate high total return with strict risk controls by consistently investing in the sectors with strong risk-adjusted performance potential. The strategy uses an econometric multifactor model based on economic, fundamental, risk and technical analyses that evaluate the risk/reward potential of investing in equity (a sector) versus fixed income on a daily basis.

The strategy is binary: the portfolio is either entirely in or out of a sector at any given time. Each sector is modeled independently and its risk/reward profile is compared to an equal investment in fixed income. If the expected return per unit of risk of a sector is more favorable than that of a fixed income alternative, the portfolio will invest in the sector. If the expected return per unit of risk of a sector is less favorable than that of a fixed income alternative, the potential allocation (10%) filters to the actively managed fixed income portion of the portfolio. Sectors are equally weighted.

The fixed income component within the Sector Rotation Portfolio is an actively managed portfolio of fixed income ETFs. The portfolio aims to generate above average yield with strict risk controls by consistently investing in those fixed income sectors that have strong risk-adjusted performance potential and eligible exchange traded fund representation. The portfolio is operated within a quantitative framework that seeks to objectively control the portfolio's level yield, modified duration, and volatility.

Growth of Hypothetical \$10,000 Investment

Time Period: 12/31/2009 to 3/31/2013



— Innealta Tac ETF Sector Rotation Core — Sector Rotation Benchmark

Risk/Reward vs. Benchmark*

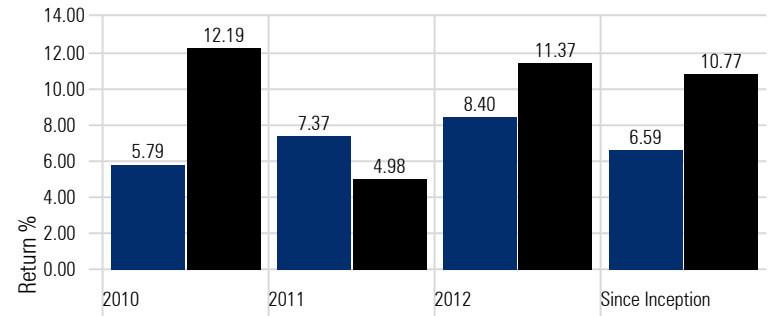
Time Period: 1/1/2010 to 3/31/2013

	Portfolio	Benchmark
Return	6.59	10.77
Alpha	2.10	0.00
Beta	0.41	1.00
Std Dev	4.78	8.48
R2	53.13	100.00
Tracking Error	5.97	0.00
Down Capture Ratio	29.61	100.00
Up Capture Ratio	48.36	100.00
Sharpe Ratio	1.34	1.24
Information Ratio	-0.70	
Annual Turnover Ratio %	90.30	
Yield to Maturity	4.39	
Average Coupon	6.29	
Average Duration	6.48	

Overview

The Innealta Sector Rotation Core strategy is based on a quantitatively driven, tactical asset allocation approach that potentially invests in ten economic sectors based on the specific risk/reward characteristics of each. Dollars not allocated to equities are invested in an actively managed portfolio of fixed income ETFs. The strategy seeks to outperform its benchmarks on a risk-adjusted basis through diversification, active management, style integrity, minimized security selection risk and cost efficiency.

Performance (net of fees)



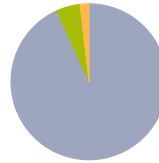
— Innealta Tac ETF Sector Rotation Core

— Sector Rotation Benchmark

	QTD	YTD	1 Year	3 Years	Since Inception
Innealta Tac ETF Sector Rotation Core	-0.04	-0.04	7.22	6.66	6.59
Sector Rotation Benchmark	6.31	6.31	9.97	10.29	10.77

Current Asset Allocation*

Portfolio Date: 3/31/2013



	%
Equity	0.0
Fixed Income	93.2
Cash	4.9
Other	1.9
Total	100.0

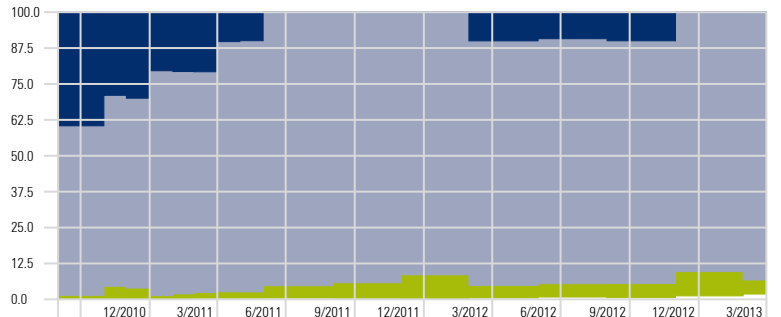
Portfolio Holdings*

Portfolio Date: 3/31/2013

	Weighting %
SPDR Barclays High Yield Bond	25.20
Vanguard Inter-Tm Corp Bd Idx ETF	22.98
iShares Barclays MBS Bond	9.99
Market Vectors EM Local Curr Bond ETF	9.98
Vanguard Long-Term Corp Bond Idx ETF	9.79
Market Vectors Intl High Yield Bond ETF	5.02
Vanguard Short-Term Corp Bd Idx ETF	4.94
iShares Emerging Markets High Yield Bond	4.93
iShares JPMorgan USD Emerg Markets Bond	4.82

Asset Allocation*

Time Period: 9/1/2010 to 3/31/2013



— Equity — Fixed Income — Cash

*Data shown as supplemental information to the Composite.

About Innealta Capital

Innealta Capital is a quantitative asset management firm specializing in the active management of Exchange Traded Fund (ETF) portfolios. Innealta is a division of AFAM Capital, a privately held company founded in 1977, and has approximately \$5 billion in Assets Under Management and Advisement.

Innealta's competitive advantage is its quantitative investment strategy driven by a proprietary econometric model, which was created by the company's founder and Chief Investment Officer, Dr. Jeff Buetow. The investment management team's focus is to capitalize on attractive market environments for ETFs, tactical strategies, and low cost portfolio alternatives.

Composite Performance

Year	Total Firm Assets	Composite Assets	Number of Accounts	Comp. Gross (%)	Comp. Net (%)	Benchmark (%)	Composite 3-Yr St Dev	Composite Dispersion
2012	\$676 M	\$46,741,353	235	10.15	8.51	11.37	5.07	0.16
2011	\$476 M	\$7,015,708	44	9.17	7.46	4.98		0.51
2010	\$486 M	\$32,355	<5	5.79	5.79	12.19		NA

NA - Data is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

Disclosures

AFAM Capital claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. AFAM Capital has been independently verified by Ashland Partners & Company, LLP from for the periods Jan. 1, 1996, through Dec. 31, 2012. A copy of the verification report is available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS® standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS® standards. Verification does not ensure the accuracy of any specific composite presentation. The firm maintains a complete list and description of composites, which is available upon request. The firm had total assets under management of \$746 million as of March 31, 2013. The Tactical ETF Sector Rotation Composite was created December 31, 2009. Minimum account size for inclusion in the composite is \$20,000.

The Tactical Core ETF Sector Rotation Composite includes discretionary portfolios using the tactical sector rotation strategy, which is based on a quantitatively driven, tactical asset allocation approach that apportions portfolio assets to 10 potential sectors (number may change) based on the specific risk/reward characteristics of each. Dollars not allocated to sector ETFs are invested in an actively managed portfolio of fixed-income ETFs.

Composite policy requires the temporary removal of any portfolio incurring an aggregate net cash flow of at least 25% of portfolio assets for any given month. Such a temporary removal of an account occurs at the beginning of the month in which the significant cash flow occurs and the account re-enters the composite at the beginning of the month after a net cash outflow and the beginning of the next quarter after a net cash inflow. Additional information regarding the treatment of significant cash flows is available upon request. Past performance is not indicative of future results.

The U.S. Dollar is the currency used to express performance. The composite includes portfolios charged bundled or wrap fees and portfolios charged transaction fees or trading costs. Bundled fee portfolios pay a fee based on a percentage of assets under management in place of a transaction fee. In most cases, this fee also includes investment management and portfolio monitoring. As a percentage of assets, the composite is comprised of 99.45% bundled fee paying accounts as of Dec. 31, 2012. Portfolios eligible for this composite must follow the stated strategy. Live returns are presented net of management fees and include the effects of trading costs and reinvestment of all income. Net of fee performance was calculated using actual management fees charged to the client. In 2010, the composite consisted solely of a seed account for the purpose of composite construction. No fees were applied to this account. Non-fee paying accounts represented less than 1% of the composite as of Dec. 31, 2011. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. Actual investment management fees will vary, beginning at 1.5% per annum. Our full management fee schedule is described in more detail in Form ADV Part 2A.

Any investment is subject to risk. Exchange traded funds (ETFs) are subject to risks similar to those of stocks, such as market risk, and investors who have their funds invested in accordance with the portfolios may experience losses. Additionally, fixed income (bond) ETFs are subject to interest rate risk, which is the risk that debt securities in a portfolio will decline in value because of increases in market interest rates. For more information on the risks associated with investment in ETFs, please refer to AFAM Capital's Form ADV Part 2A. Diversification does not protect against loss in declining markets.

The Sector Rotation Benchmark is a blend of 60% S&P 500 and 40% Barclays Capital US Aggregate Bond. It is calculated daily and rebalanced quarterly. The S&P 500 Index is S&P's broad-based market index representing a sample of leading companies in leading industries. The Barclays Capital US Aggregate Bond Index covers the U.S. dollar-denominated, investment-grade, fixed-rate, taxable bond market of SEC-registered securities. A person cannot invest directly in an index.

Alpha is a measure of the difference between a portfolio's actual returns and its expected performance, given its level of risk as measured by beta. Beta is a measure of volatility, or systematic risk, of a portfolio in comparison to a benchmark. A beta greater than one indicates more volatility, while a beta less than one indicates less volatility than the relevant benchmark. Annualized Standard Deviation is a measure of the dispersion of investment returns from the mean. A higher standard deviation indicates higher volatility. Sharpe Ratio is a measurement of reward per unit of risk as calculated by the average monthly excess return divided by the monthly standard deviation of excess returns. R Squared is a measure of how close the relationship is between a portfolio and its benchmark. Tracking Error is a measure of the volatility of excess returns relative to a benchmark. Information ratio is a measure of risk-adjusted performance.

AFAM Capital is a Registered Investment Advisor. Innealta Capital is a division of AFAM Capital. AFAM Capital is editor of The Prudent Speculator newsletter and is the Investment Advisor to four no-load proprietary mutual funds and individually managed client accounts. Registration of an investment adviser does not imply any certain level of skill or training. 12117 FM 2244, Bldg. 3-#170 | Austin, Texas 78738 | p: 512.354.7041 | f: 512.402.1014 | afamcapital.com

Manager Biography

Dr. Jeff Buetow is the founder and Chief Investment Officer of Innealta Capital. His previous experience includes: former CIO of XTF GAM, LLC and Director of Research and Product Development at Atlantic Asset Management, LLC. Dr. Buetow was Vice President of Curriculum Development for the Association for Investment Management and Research (AIMR), now known as the CFA Institute, and was the Wheat First Professor of Finance and Director of the Quantitative Finance program at James Madison University. He was also lead quantitative researcher for Prudential Investment's Quantitative Investment Management Group and served as a nuclear engineer for the U.S. Navy.

Investment Team

Jeff Buetow, PhD, CFA Chief Investment Officer	Bernd Hanke, PhD, CFA Senior Research Analyst
Mark Mowrey, CFA SVP, Product Manager	Brian Henderson, PhD, CFA Senior Research Analyst

Portfolio Attributes

- > Discipline
- > Diversification
- > Quantitative
- > Risk Management
- > Tactical
- > Transparency

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